

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
LUFKIN DIVISION

**FILED**  
U.S. DISTRICT COURT  
EASTERN DISTRICT OF TEXAS

MAR 18 1998 *CK*

DAVID J. MALAND, CLERK  
BY  
DEPUTY *Carolyn K. Kelly*

UNITED STATES OF AMERICA, )  
ex rel. J. BENJAMIN JOHNSON, JR., )  
JOHN M. MARTINECK, HARROLD )  
E. ("GENE") WRIGHT, LEONARD )  
BROCK, DANIELLE BRIAN AND )  
PROJECT ON GOVERNMENT )  
OVERSIGHT, )

Plaintiff, )

v. )

Civil Action No. 9.96CV66  
JUDGE HANNAH

SHELL OIL COMPANY, SHELL )  
OFFSHORE, INC., SHELL )  
FRONTIER OIL )  
& GAS, INC., SHELL WESTERN )  
E. & P. INC., BURLINGTON )  
RESOURCES INC., BURLINGTON )  
RESOURCES OIL & GAS COMPANY, )  
BURLINGTON RESOURCES )  
TRADING, INC., CONOCO, INC., )  
AMOCO OIL COMPANY, and )  
AMOCO PRODUCTION COMPANY, )

Defendants. )

**COMPLAINT OF THE UNITED STATES OF AMERICA**

The United States of America, by its undersigned attorneys, brings this civil action under the False Claims Act, 31 U.S.C. § 3729 et seq., and alleges as follows:

### **Jurisdiction and Venue**

1. This action arises under the False Claims Act, 31 U.S.C. § 3729 et seq., and at common law. This Court has jurisdiction over this subject matter pursuant to 28 U.S.C. § 1345, 31 U.S.C. § 3730(a), and its general equitable jurisdiction.
2. Venue is proper in this district under 28 U.S.C. § 1391 and 31 U.S.C. § 3732(a).

### **Parties**

3. The plaintiff is the United States of America.
4. The relators are:
  - (a) J. Benjamin Johnson, Jr. a resident of Plano, Texas. Mr. Johnson is a petroleum engineer.
  - (b) John M. Martineck, a resident of Carrollton, Texas. Mr. Martineck is a petroleum business manager with crude oil marketing experience.
  - (c) Harrold E. ("Gene") Wright, a resident of Tyler, Texas. Mr. Wright has been involved in the marketing, sale and production of crude oil.
  - (d) Leonard Brock , a resident of Palm Desert, California. Mr. Brock was Director of Oil Properties for the City of Long Beach, California.
  - (e) Danielle Brian, a resident of Virginia. Ms. Brian is the Executive Director of the Project on Government Oversight.
  - (f) The Project on Government Oversight is a not for profit corporation with its principal place of business in Washington, D.C.
5. Shell Oil Company (Shell) is a Delaware corporation which maintains an office and conducts business in this district. At all times material to this action, Shell, on its own behalf and

through affiliated entities operating under the direction and control of Shell, produced and marketed crude oil. Shell Offshore, Inc., Shell Frontier Oil & Gas, Inc., and Shell Western E. & P., Inc. are subsidiaries or affiliates of Shell which produce crude oil on federal and/or Indian leases.

6. Burlington Resources, Inc. (Burlington) is a corporation which conducts business in this district. At all times material to this action, Burlington, on its own behalf and through affiliated entities operating under the direction and control of Burlington, produced and marketed crude oil. Burlington Resources Oil & Gas Company (Burlington Oil) is a subsidiary of Burlington which produces crude oil on federal and Indian leases. Burlington Resources Trading, Inc. (Burlington Trading) is a subsidiary of Burlington which markets crude oil produced by Burlington Oil.

7. Amoco Oil Company (Amoco) is a corporation which conducts business in this district. Amoco refines crude oil and markets refined products. Amoco Production Company is a corporation conducting business in this district and is a subsidiary or an affiliate of Amoco.

8. Conoco, Inc. (Conoco) is a corporation which conducts business in this district. Conoco produces oil on federal and Indian leases and also refines crude oil.

### **Background**

9. Oil production on federal and Indian lands is governed by the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA), as amended by the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996, 30 U.S.C. § 1701 *et seq.*, and the several mineral leasing acts applicable to leases on federal and Indian lands: the Outer Continental Shelf Lands Act (OCSLA), 43 U.S.C. § 1801 *et seq.*, the Mineral Leasing Act of 1920 (MLA), 30 U.S.C. § 181 *et*

*seq.*, the Mineral Leasing Act for Acquired Lands, 30 U.S.C. § 351 *et seq.*, the Indian leasing act for tribal lands, 25 U.S.C. § 396a, the Indian leasing act for allotted lands, 25 U.S.C. § 396, and the Indian Mineral Development Act of 1982, 25 U.S.C. § 2101.

10. Mineral leases between the federal government and oil companies grant companies the right to extract oil from federal and Indian lands. Those leases require oil producing companies to pay royalties on all oil extracted from federal and Indian leases. The royalties are either a specified portion of the oil produced ("royalty in kind") or the monetary payments equal to the value of a specified portion of the oil produced, as determined by the lease terms and by regulations.

11. At all times material to this action, each of the defendants, directly or through affiliates, held leases on federal or Indian lands on which it was required to pay monetary royalties. The royalty rates generally are one sixth of the value of oil produced "offshore," in the Gulf of Mexico or off the California coast, one eighth of the value of the oil produced on federal leases onshore, and as much as one fifth of the value of the oil produced on Indian lands.

12. The Department of Interior (DOI) Minerals Management Service (MMS) is the agency of the United States government charged with responsibility for managing for the collection of royalties for crude oil produced from federal and Indian leases.

13. In 1988, DOI promulgated regulations, which are published at 30 CFR § 206.102 *et seq.*, governing the valuation of oil produced from federal and Indian leases on and after March 1, 1988.

14. The regulations require that, if oil is sold at arm's length, the value of the oil for royalty purposes is the "gross proceeds" of the sale. 30 CFR § 206.102(b)(1). An arm's-length

transaction is one "arrived at in the market place between independent, nonaffiliated persons with opposing economic interests regarding that contract." 30 CFR § 206.101. "Gross proceeds" are defined, for royalty payment purposes, as the total monies and other consideration accruing to an oil lessee for disposition of the oil produced. Id.

15. If oil is not sold at arm's-length, the regulations require that the lessee pay royalties based on the reasonable value of the oil as determined according to the first applicable of five "benchmarks" listed at 30 CFR § 206.102(c). However, if the gross proceeds, less applicable allowances, accruing to the lessee are higher than the value determined by the benchmarks, royalties are based on the higher, gross proceeds. 30 CFR § 206.102(h).

16. The first benchmark allows valuation of oil at the producer's (or its affiliate's) "contemporaneous posted prices or oil sales contract prices used in arm's-length transactions for purchases or sales of significant quantities of like-quality oil" in the same field or area, provided that the prices are comparable to other prices used in arm's-length transactions for significant quantities of oil. If the lessee or its affiliate makes arm's-length purchases or sales at different prices, the volume weighted average price for the production month shall be used. "Posted prices" are prices specified in publicly available posted price bulletins, terminal postings or other price notices net of all adjustments for quality and location for oil in marketable condition. 30 CFR § 206.101.

17. The second benchmark permits valuation of oil by using the "average of contemporaneous posted prices" used in arm's length transactions [by others] for purchases or sales of significant quantities of like quality oil in the same field or area.

18. The third benchmark permits valuation of oil by using the "average of other

contemporaneous arm's-length contract prices " for purchases or sales of significant quantities of like quality oil in the same field or area.

19. The fourth benchmark permits the use of arm's-length spot prices for purchases or sales of significant quantities of oil in the same field or area, and the fifth benchmark permits the use of a net back or any other reasonable method to determine value. A lessee using the fourth or fifth benchmark must give notice and an explanation of its method. 30 CFR § 206.102(e)(2).

20. Pursuant to the regulations, oil lessees calculate and pay royalties to the government, subject to future audit by MMS. Companies report the quantity of production, the sales value of oil, and the royalty value of oil to the government on Forms MMS-2014, which they submit each month to MMS. A company submitting a Form MMS-2014 certifies that statements in the form are "accurate and complete."

**Shell Oil Company, Shell Offshore, Inc.,  
Shell Frontier Oil & Gas, Inc, and  
Shell Western E & P Inc.**

21. Shell Oil Company ("Shell") conducts transportation, marketing and refining operations, and owns production subsidiaries, including defendants Shell Offshore, Inc. (Shell Offshore), Shell Frontier Oil & Gas, Inc. (Shell Frontier), and Shell Western E. & P., Inc. (Shell Western). Shell and its production and transportation subsidiaries are operated and managed as parts of a unified organization, on behalf of the interests of the overall enterprise.

22. Shell Offshore, Shell Frontier and Shell Western (hereinafter the production subsidiaries) are subsidiaries of Shell which produce oil on federal offshore leases in the Gulf of Mexico, on federal offshore leases off the coast of California, on Federal onshore leases, and on Indian leases.

23. The production subsidiaries transfer virtually all of the oil they produce on federal or Indian leases to Shell, at Shell's posted prices. Shell performs accounting and royalty reporting functions on behalf of its production subsidiaries.

24. Shell and its production affiliates were required to report and pay royalties based upon the reasonable value of the oil produced on federal or Indian leases, as determined under the benchmarks stated in 30 CFR § 206.102(c), or, if higher, the gross proceeds accruing to the lessee.

25. From at least 1988 until February 1, 1998, Shell and the production subsidiaries used Shell's posted prices to value oil purchased by Shell from its production subsidiaries when Shell and the production subsidiaries knew that the posting did not represent the reasonable value of the oil. From at least 1988, Shell paid royalties on federal and Indian leases on the basis of its posted prices, even though Shell and the production subsidiaries knew, or should have known, that the royalty payments were less than required under the terms of the lease agreements and applicable royalty regulations.

26. Shell Offshore and Shell Frontier produce oil on federal leases in the Gulf of Mexico, and transfer the production to Shell at Shell's posted price. At all material times prior to February 1, 1998, Shell had posted prices for most offshore platforms, as well as onshore posting at Empire and St. James, Louisiana. No other company posted prices at offshore platforms.

27. On or about December 1, 1988, Shell obtained a valuation letter from MMS which permitted Shell to value the offshore oil production of the production subsidiaries at Shell's offshore postings, as long as (1) the offshore postings were equal to Shell's onshore posting minus the cost of transporting the oil to shore, (2) Shell's onshore postings were equivalent to

competitors' prices, and (3) Shell maintained complete records demonstrating its transportation costs.

28. The production subsidiaries transferred the oil they produced to Shell at offshore posted prices when Shell and the production subsidiaries knew that the offshore postings were not the equivalent of the onshore posting minus the actual cost of transporting oil to shore. In the alternative, Shell and the production subsidiaries acted with reckless disregard or in deliberate ignorance as to whether the offshore postings were equivalent to the onshore posting minus the actual cost of transporting the oil to shore.

29. The production subsidiaries transferred the oil they produced to Shell at Shell's posted prices when Shell and the production subsidiaries knew that Shell's posted prices were not equivalent to competitors' prices. In the alternative, Shell and the production subsidiaries acted with reckless disregard or in deliberate ignorance as to whether Shell's posted prices at which the production affiliates' oil was transferred to Shell were equivalent to competitors' prices.

30. At all times material to this action, Shell misrepresented to MMS the magnitude of arm's-length purchases at Shell's posted prices.

31. Shell Western produces oil on federal and Indian leases in Montana and North Dakota (Montana/Dakota oil). At all material times until November 1997, Shell refined major portions of the Montana/Dakota oil produced by Shell Western.

32. Shell and Shell Western were required to value the Montana/Dakota oil not sold at arm's-length under the benchmarks stated in 30 CFR § 206.102(c). Despite their obligations, Shell and Shell Western did not attempt to value the oil under the benchmarks. The royalty valuation for the Montana/Dakota oil, which purportedly was based on prices for Oklahoma oil,



was substantially less than the market price for comparable oil in the fields and areas in which Shell Western produced the Montana/Dakota oil. Shell and Shell Western persisted in undervaluing the Montana/Dakota oil, even after the Shell's valuations were rejected by MMS and by responsible state officials in Montana and North Dakota.

33. Shell entered into exchange agreements and buy/sell agreements which ostensibly based pricing on posted prices when, in fact, Shell knew that the posted prices did not represent the true value of the oil.

34. In order to conceal the undervaluation of oil and underpayment of royalties, Shell and the production subsidiaries withheld from DOI, MMS, State representatives, Indian representatives and other authorized persons information concerning arm's-length sales, purchases and exchanges and other data relevant to determination of royalty value, despite their obligations pursuant to 30 CFR § 206.102(d) and 30 CFR § 206.102(e)(1) to provide such information.

35. As a result of the foregoing facts and circumstances, Shell and the production subsidiaries undervalued federal oil they produced and underpaid royalties on that oil which were due to the United States.

36. As a result of the foregoing, Shell and the production subsidiaries submitted to MMS Forms MMS-2014 which they knew contained false information concerning the value of oil, or, in the alternative, submitted to MMS Forms MMS-2014 in deliberate ignorance or with reckless disregard as to the truth or falsity of information concerning the value of oil.

37. Facts material to this cause of action were not known and could not reasonably have been known by an official of the United States with responsibility to act in the circumstances until 1997.

**Burlington Resources, Inc., Burlington Resources Oil & Gas  
Company, and Burlington Resources Trading, Inc.**

38. Burlington Resources Oil & Gas Company (Burlington Oil) and Burlington Resources Trading, Inc. (Burlington Trading) are affiliated companies. Burlington Oil and Burlington Trading are subsidiaries of Burlington Resources, Inc. (Burlington).

39. Burlington Oil produces crude oil pursuant to leases on federal and Indian leases. Prior to 1996, Burlington Oil was known as Meridian Oil, Inc.

40. Burlington Trading purchases and resells oil produced by Burlington Oil and others. Burlington Trading does not engage in transportation activities. Prior to 1996, Burlington Trading was known as Meridian Oil Trading, Inc.

41. At all times material to this action through at least 1996, Burlington Oil sold the oil produced on federal and Indian leases to Burlington Trading. The prices at which Burlington Oil sold its oil to Burlington Trading were below the market prices for comparable oil produced in the same fields or areas. Burlington Trading thereupon resold the oil at the lease to unaffiliated third parties at higher, market prices.

42. In some instances, the difference between the price at which Burlington Trading purchased oil from Burlington Oil and the higher, market prices at which Burlington Trading sold oil to third parties was paid directly in the form of bonuses, premiums or "signature bonuses." In other cases, the contractual arrangements between Burlington Trading and the third parties provided Burlington Trading the additional proceeds indirectly, thorough one or more of the following mechanisms:

(a) The oil sold by Burlington Trading was "deemed" to be of higher quality than it actually was. Burlington Trading received the higher price applicable to the

"deemed" quality, rather than the price applicable to the actual quality of the oil.

(b) Burlington Trading received fees and payments for services not performed, such as "gathering" or "handling," or fees which exceeded the reasonable value of such services.

(c) The sale by Burlington Trading at the lease was one part of a reciprocal "buy/sell" agreement. Burlington Trading's contract to sell oil at the lease was matched by a contract under which Burlington Trading purchased the identical quantity of oil at a trading center, such as Cushing, Oklahoma or Midland, Texas, at a discount from the market price for the oil at the trading center.

43. At all times material to this action through at least 1996, Burlington Trading purchased oil from unaffiliated third parties at prices higher than the prices paid by Burlington Trading to Burlington Oil for oil produced on federal or Indian leases in the same fields or areas.

44. Burlington, Burlington Oil and Burlington Trading were required to pay royalties based upon the reasonable value of the oil, as determined under the benchmarks stated in 30 CFR § 206.102(c), or, if higher, the gross proceeds accruing to the lessee.

45. Notwithstanding its obligation otherwise, Burlington, Burlington Oil and Burlington Trading paid royalties on the basis of the below-market prices at which Burlington Oil transferred oil to Burlington Trading. Burlington, Burlington Oil and Burlington Trading knew that the royalties paid were lower than the royalties which were required to be paid, or, in the alternative, acted with reckless disregard or in deliberate ignorance of whether the required royalties were paid.

46. In order to conceal the undervaluation of oil and underpayment of royalties,

Burlington, Burlington Oil and Burlington Trading withheld from DOI, MMS, State representatives, Indian representatives and other authorized persons information concerning arm's-length sales, purchases and exchanges and other data relevant to the determination of royalty value, despite their obligations pursuant to 30 CFR § 206.102(d) and 30 CFR § 206.102(e)(1) to provide such information. Moreover, some of the contractual and accounting information which was provided was altered, falsified, or omitted material information.

47. As a result of the foregoing, Burlington, Burlington Oil and Burlington Trading submitted to MMS Forms MMS-2014 which they knew contained false information concerning the value of oil, or, in the alternative, submitted to MMS Forms MMS-2014 in deliberate ignorance or with reckless disregard as to the truth or falsity of information concerning the value of oil.

48. Facts material to this cause of action were not known and could not reasonably have been known by an official of the United States with responsibility to act in the circumstances until 1996.

**Conoco, Inc.**

49. Conoco produces oil on federal and Indian leases. Conoco also refines crude oil. The capacity of Conoco's refineries substantially exceeds Conoco's production, and Conoco is therefore a net purchaser of crude oil.

50. Some of the oil produced by Conoco on federal or Indian leases is sold outright to third parties. Conoco is required by 30 CFR § 206.102(b)(1) to base royalties for oil sold at arm's-length on the gross proceeds of the sale. However, Conoco underpaid royalties due on oil sold to third parties, in that the royalty valuation did not reflect the total monies and other

consideration accruing to Conoco for disposition of the oil.

51. At all times material to this action, Conoco knew that the royalties paid on oil sold outright to third parties did not reflect the total consideration accruing to Conoco for disposition of the oil.

52. Most of the oil produced by Conoco on federal or Indian leases is not sold at arm's-length. Conoco is required to pay royalties for this oil based upon the reasonable value of the oil, as determined under the benchmarks stated in 30 CFR § 206.102(c), or, if higher, the gross proceeds accruing to Conoco.

53. Conoco based royalties for oil not sold at arm's length on Conoco's posted prices. The values used by Conoco for purposes of royalty payments were less than the reasonable value of the oil produced on federal or Indian leases under the benchmarks stated in 30 CFR § 206.102(c), or the gross proceeds accruing to Conoco, in that:

(a) The values used by Conoco for purposes of determining royalties were below the oil sales contract prices used by Conoco in arm's-length transactions for purchases or sales of significant quantities of like-quality oil in the same fields or areas.

(b) The values used by Conoco for purposes of determining royalties were lower than the prices used by other oil companies in arm's-length transactions for significant quantities of like-quality oil in the same fields or areas.

(c) The values used by Conoco for purposes of determining royalties were lower than the market value of the oil as defined in Conoco's "General Provisions Domestic Crude Oil Agreements," which became effective January 1, 1993 (General Provisions). Conoco incorporated the General Provisions in contracts for the purchase,

sale and exchange of oil, including but not limited to buy/sell agreements.

54. At all times material to this action, Conoco had actual knowledge that valuations of oil not sold at arm's-length were less than the reasonable value of the oil produced on federal or Indian leases under the benchmarks stated in 30 CFR § 206.102(c), or the gross proceeds accruing to Conoco. In the alternative, Conoco acted with reckless disregard or in deliberate ignorance as to whether its valuations of oil not sold at arm's-length were equivalent to the reasonable value of the oil produced on federal or Indian leases under the benchmarks stated in 30 CFR § 206.102(c), or the gross proceeds accruing to Conoco.

55. As a result of the foregoing, Conoco submitted to MMS Forms MMS-2014 which it knew contained false information concerning the value of oil, or, in the alternative, submitted to MMS Forms MMS-2014 in deliberate ignorance or with reckless disregard as to the truth or falsity of information concerning the value of oil.

56. Facts material to this cause of action were not known and could not reasonably have been known by an official of the United States with responsibility to act in the circumstances until 1997.

**Amoco Oil Company and Amoco Production Company**

57. Amoco Production Company (Amoco Production) produces oil on federal and Indian leases. With limited exceptions, Amoco Production transfers the oil it produces to Amoco Oil Company (Amoco) pursuant to a "Supply and Agency Agreement" executed April 21, 1988.

58. The Supply and Agency Agreement provides that Amoco Production will receive "established selling price, (generally posted price)" for the oil it produces and transfers to Amoco.

59. As the sale of oil from Amoco Production to Amoco is not at arm's-length, Amoco

Production and Amoco are required to pay royalties for this oil based upon the reasonable value of the oil, as determined under the benchmarks stated in 30 CFR § 206.102(c), or, if higher, the gross proceeds accruing to the lessee.

60. At all times material to this action, Amoco Production and Amoco based royalties for oil produced by Amoco Production and sold to Amoco solely on the price paid by Amoco to Amoco Production under the Supply and Agency Agreement. Amoco Production and Amoco did not determine the reasonable value of the oil under the benchmarks and did not determine whether the benchmark values were higher than the sales prices under the Supply and Agency Agreement.

61. At all times material to this action, Amoco Production received the posted price for the oil it produced on federal or Indian leases and sold to Amoco, unless purchases were made at the same property from third parties at prices higher or lower than the posted prices, in which case Amoco Production received the same price as the third party. Prices paid to or received from third parties for the purchase or sale of like-quality oil on other properties in the same fields or areas were not taken into account in determining the price received by Amoco Production for oil sold to Amoco.

62. At all times material to this action, Amoco Production purchased and exchanged oil with unaffiliated companies for the account of Amoco or on behalf of Amoco. At all material times until at least 1992, Amoco Production as a matter of corporate policy paid bonuses to third parties for oil purchased at the lease as agent for the account of Amoco. After 1992, Amoco Production continued to do so on occasion, depending on market or supply conditions.

63. In some instances, Amoco Production paid direct bonuses or premiums over the posted price to third parties for oil purchased at the lease. As a matter of corporate policy,

however, Amoco Production preferred to pay bonuses over posted prices indirectly, thorough one or more of the following means:

(a) The oil purchased by Amoco Production was "deemed" to be of higher quality than it actually was. Amoco Production paid the higher price applicable to the "deemed" quality, rather than the price applicable to the actual quality of the oil.

(b) Amoco Production paid fees and payments for services not performed, such as "gathering" or "handling," or fees which exceed the reasonable value of such services.

(c) A purchase by Amoco Production at the lease was one part of a reciprocal "buy/sell" agreement. Amoco Production 's contract to buy oil at the lease was matched by a contract under which Amoco or Amoco Production sold the identical quantity of oil at a trading center, such as Cushing, Oklahoma or Midland, Texas, at a discount from the market price for the oil at the trading center.

(d) Amoco Production purchased the oil on the basis of a higher, posted price applicable to an area other than the area in which the oil purchased was produced or applicable to another type of oil than the oil purchased.

64. As Amoco Production paid direct or indirect bonuses above posted price for oil purchased at the lease from third parties in the same fields and areas on which it produced oil on federal or Indian leases, the reasonable value of the oil as determined under the benchmarks stated in 30 CFR § 206.102(c) exceeded Amoco Production's posted price. Since Amoco and Amoco Production based federal and Indian royalties on posted prices, Amoco and Amoco Production underpaid royalties.



65. Amoco and Amoco Production knew that the valuation for federal and Indian royalty purposes of oil transferred by Amoco Production to Amoco was less than the reasonable value of the oil as determined under the benchmarks stated in 30 CFR § 206.102(c). In the alternative, Amoco and Amoco Production acted with reckless disregard or in deliberate ignorance of whether the valuation for federal and Indian royalty purposes of oil transferred by Amoco Production to Amoco was equivalent to the reasonable value of the oil as determined under the benchmarks stated in 30 CFR § 206.102(c).

66. A small proportion of the oil produced by Amoco Production on federal or Indian leases is sold outright to third parties. Amoco and Amoco Production are required by 30 CFR § 206.102(b)(1) to base royalties for oil sold at arm's-length on the gross proceeds of the sale. However, Amoco and Amoco Production underpaid royalties due on oil sold to third parties, in that the royalty valuation did not reflect the total monies and other consideration accruing for disposition of the oil.

67. At all times material to this action, Amoco and Amoco Production knew that the royalties paid on oil sold outright to third parties did not reflect the total consideration accruing for disposition of the oil. In the alternative, Amoco and Amoco Production acted with reckless disregard or in deliberate ignorance of whether the royalties paid on oil sold outright to third parties reflected the total consideration accruing for disposition of the oil.

68. As a result of the foregoing, Amoco and Amoco Production submitted to MMS Forms MMS-2014 which they knew contained false information concerning the value of oil, or, in the alternative, submitted to MMS Forms MMS-2014 in deliberate ignorance or with reckless disregard as to the truth or falsity of information concerning the value of oil.

69. Facts material to this cause of action were not known and could not reasonably have been known by an official of the United States with responsibility to act in the circumstances until April 1997.

## **COUNT I**

### **False Claims Act – 31 U.S.C. § 3729(a)(7) - - Use of False Statements**

(Shell Oil Company, Shell Offshore, Inc.,  
Shell Frontier Oil & Gas, Inc. and Shell Western E. & P., Inc.)

70. Paragraphs 1 through 37 of this Complaint are hereby realleged and incorporated as though set forth in full herein.

71. Defendants Shell, Shell Offshore, Shell Frontier and Shell Western knowingly made or used, or caused to be made or used, false statements including, but not limited to, false representations as to the value of oil submitted to the government, in order to conceal, avoid or decrease an obligation to pay or transmit money or property to the United States in violation of 31 U.S.C. § 3729(a)(7). These false statements included but were not limited to false Forms MMS-2014 concerning the value of oil, false statements in connection with valuation determinations by MMS, and false statements in connection with audits conducted by MMS, by State agencies or by Indian tribes.

72. By reason of these false statements, Shell, Shell Offshore, Shell Frontier and Shell Western reduced their obligations to pay money to the United States and Indian tribes as royalties

for oil produced on federal and Indian leases and damaged the United States in an undetermined amount.

## **COUNT II**

### **False Claims Act --31 U.S.C. § 3729(a)(7)- - Use of False Statements**

(Burlington Resources, Inc., Burlington Resources Oil & Gas  
Company and Burlington Resources Trading, Inc.)

73. Paragraphs 1 through 20 and 38 through 48 of this Complaint are hereby realleged and incorporated as though set forth in full herein.

74. Defendants Burlington, Burlington Oil and Burlington Trading knowingly made or used, or caused to be made or used, false statements including, but not limited to, false representations as to the value of oil submitted to the government, in order to conceal, avoid or decrease an obligation to pay or transmit money or property to the United States in violation of 31 U.S.C. § 3729(a)(7). These false statements included but were not limited to false Forms MMS-2014 concerning the value of oil, and false statements in connection with audits conducted by MMS, by State agencies or by Indian tribes.

75. By reason of these false statements, Burlington, Burlington Oil and Burlington Trading reduced their obligations to pay money to the United States and Indian tribes as royalties for oil produced on federal and Indian leases and damaged the United States in an undetermined amount.

### **COUNT III**

#### **False Claims Act --31 U.S.C. § 3729(a)(7)- - Use of False Statements**

(Conoco, Inc.)

76. Paragraphs 1 through 20 and 49 through 56 of this Complaint are hereby realleged and incorporated as though set forth in full herein.

77. Defendant Conoco, Inc. knowingly made or used, or caused to be made or used, false statements including, but not limited to, false representations as to the value of oil submitted to the government, in order to conceal, avoid or decrease an obligation to pay or transmit money or property to the United States in violation of 31 U.S.C. § 3729(a)(7). These false statements included but were not limited to false Forms MMS-2014.

78. By reason of these false statements, Conoco, Inc. reduced its obligations to pay money to the United States and Indian tribes as royalties for oil produced on federal and Indian leases and damaged the United States in an undetermined amount.

### **COUNT IV**

#### **False Claims Act --31 U.S.C. § 3729(a)(7)- - Use of False Statements**

(Amoco Oil Company and Amoco Production Company)

79. Paragraphs 1 through 20 and 57 through 69 of this Complaint are hereby realleged and incorporated as though set forth in full herein.

80. Defendants Amoco and Amoco Production knowingly made or used, or caused to be made or used, false statements including, but not limited to, false representations as to the value of oil submitted to the government, in order to conceal, avoid or decrease an obligation to pay or transmit money or property to the United States in violation of 31 U.S.C. § 3729(a)(7).

These false statements included but were not limited to false Forms MMS-2014. In the alternative, by purposely failing to account for the reasonable value of the oil as determined under the benchmarks stated in 30 CFR § 206.102(c), Amoco Production and Amoco acted with reckless disregard or in deliberate ignorance.

81. By reason of these false statements, Amoco and Amoco Production reduced their obligations to pay money to the United States and Indian tribes as royalties for oil produced on federal and Indian leases and damaged the United States in an undetermined amount.

### **PRAYER FOR RELIEF**

WHEREFORE, the United States requests that judgment be entered in its favor and against defendants as follows:

(a) On Count I (False Claims Act -- Use of False Statements), against Shell Oil Company, Shell Offshore, Inc., Shell Frontier Oil & Gas, Inc. and Shell Western E. & P., Inc. for treble damages in an undetermined amount, all allowable civil penalties, fees and costs, including the cost of investigation, interest, and all other and further relief as the Court may deem just and equitable.

(b) On Count II (False Claims Act -- Use of False Statements), against Burlington Resources, Inc., Burlington Resources Oil & Gas Company and Burlington Resources Trading, Inc. for treble damages in an undetermined amount, all allowable civil penalties, fees and costs, including the cost of investigation, interest, and all other and further relief as the Court may deem just and equitable.

(c) On Count III (False Claims Act -- Use of False Statements), against Conoco, Inc., for treble damages in an undetermined amount, all allowable civil penalties, fees and costs,

including the cost of investigation, interest, and all other and further relief as the Court may deem just and equitable.

(d) On Count IV (False Claims Act -- Use of False Statements), against Amoco Oil Company and Amoco Production Company, for treble damages in an undetermined amount, all allowable civil penalties, fees and costs, including the cost of investigation, interest, and all other and further relief as the Court may deem just and equitable.

Respectfully submitted,

STUART E. SCHIFFER  
Deputy Assistant Attorney General  
Commercial Litigation Branch  
Civil Division

MIKE BRADFORD  
United States Attorney  
Eastern District of Texas

A handwritten signature in black ink, appearing to read "O. Kenneth Dodd", is written over a horizontal line.

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*by OKDDO  
by permission*  
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Dated: March 17, 1998

CERTIFICATE OF SERVICE

I hereby certify that on the 17 th day of March, 1998,  
I caused to be sent by Federal Express overnight service a true  
and correct copy of the foregoing complaint addressed to all  
persons on the attached service list.

*Dodge Wells*

DODGE WELLS



**SERVICE LIST**

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